

**Minutes of the
Free Market Protection and Privatization Board**

Thursday, May 14, 2015 - 2:00 p.m.

Room 30, House Building

State Capitol Complex

Members present:

Kimberley Jones (Chair), Brian Gough (Vice Chair), Rep. Johnny Anderson, Manuel Torres, Al Manbeian (telephone), Bob Myrick, Russell Anderson, Steve Fairbanks, and LeGrand Bitter

Members absent:

Sen. Howard Stephenson, Sen. Karen Mayne, Rep. Justin Miller, Tom Bielen, Randy Park, Rick Jones, Jacquie Nielsen, and Louenda Downs

Staff present:

Cliff Strachan, Governor's Office of Management and Budget (GOMB)

Note: Additional information including related materials provided at the meeting and an audio recording of the meeting can be found at the Utah Public Meeting Notice Website (<http://www.utah.gov/pmn>). Information about the Privatization Board can be found at <http://gomb.utah.gov/operational-excellence/privatization-board/>.

1. Welcome and Introductions

Kimberley Jones chaired the meeting. She noted that Senator Karen Mayne, Representative Justin Miller (newly appointed to the board), Tom Bielen, Randy Park, Rick Jones, Jacquie Nielsen, and Louenda Downs were excused. Al Manbeian participated via telephone.

2. Public Comment (10 minutes)

Nathan Andelin commented on the USOE privatization of Aspire issue. Noted the "dramatic effect" when LEAs learned they would have choice among student information systems.

3. Board Business/Minutes

a. Minutes from April 9, 2015

Motion: Manuel Torres moved to approve the minutes of the April 9, 2015 meeting as corrected. CARRIED

b. Board Appointments Update

Cliff Strachan emailed board members earlier today a list of appointments and reappointments made earlier this week by Governor Herbert. Sen. Stephenson, Sen. Mayne, Rep. Anderson, Al Manbeian, Russ Anderson, Steve Fairbanks, and LeGrand Bitter were reappointed to terms ending in 2017. Rep. Justin Miller was appointed to complete the term vacated by former Rep. Hemingway and will continue through a full term into 2017. Commissioner Shawn Milne (Tooele County) will replace Louenda Downs at the end of her term and will serve to 2017. Travis Dimick and Dean Drew will replace and complete the terms ending in 2016 currently held by Brian Gough and Tom Bielen. Brian's last meeting is today and Tom's last meeting is June 11.

c. Privatization Process Update

Cliff Strachan commented on the challenge of drafting administrative rules required by legislation, noting that the focus needs to be that the rules are for the board's process and not impede initiatives by the agencies.

He also talked about recent field trips with UDOT on the mowing, striping, and sweeping projects.

4. Commercial Activities Inventory (CAI)

a. Department of Alcoholic Beverage Control (DABC)

Sal Petilos, Executive Director, Tom Zdunich, Nina McDermott, Cade Meier, and Chris Kamens presented an overview (handout) of the agency and responded to questions. The presentation covered the mission, operations, regulatory, and education activities of the agency. It also provided statistics on sales and liquor fund distributions for the past five years, licensing and compliance data from 2014, and data on the Washington State privatization effort since 2012.

During questioning, board members were told:

- there has been no FTE growth despite sales growth, and that non-benefited FTEs are about 50 percent of the workforce
- one percent (1%) of revenues is contributed to public safety efforts for enforcement activities
- the number of licenses is determined by a quota set by the state
- about the Master License Act that helps franchises come to Utah but that the number is still limited
- DABC revenues are growing about seven percent (7%) per year
- about the differences between regulated and controlled states and that drinking rates are lower in controlled states
- about the Washington State experience with privatization:
 - the cost of liquor and revenues have both gone up
 - the cost has increased because there is now a middleman who needs a profit
 - the state created a liter tax, sales tax, and product taxes
 - sales to residents of border states have increased

The agency declined a request to suggest possible areas to privatize.

After discussing the Tier 1 surveys, board members discussed possible next steps, which would include Tier 2 surveys. Several possible motions were discussed.

Motion: Rep. Anderson moved to table this item to the next meeting; to be placed on the bottom of the agenda and not to be raised unless a board member requests it. CARRIED

5. Review Privatization of an Activity

a. USOE - Aspire Privatization Update

Mr. Strachan advised that the State Office of Education had begun to take steps to move funding for the Aspire group back to the local education agencies (LEAs) to promote local choice only to learn it needed to have the fee for Aspire services approved in the legislative process. The funding reallocation will now wait until FY 2017 which is effectively the 2016-17 school year. He distributed a copy of the letter send from USOE to LEAs. He noted that Mr. Andelin of Relational Data Corporation called him to advise that when word that USOE was going to move the funding got out, his company received several queries from LEAs looking at other options.

6. Review Issues Concerning Agency Competition with the Private Sector

a. USOE - Cosmetology Programs

Rep. Kim Coleman distributed the 2011 report by the Legislative Auditor General called "A Review of Public Education Cosmetology Programs" and presented. Natalie Perkins, Skinworks, also presented. They want the board to make findings of unfair competition and recommend privatization of publicly funded cosmetology programs, specifically aesthetician programs. The impetus for this complaint is that Granite School District is starting up a program near Skinworks.

The main points are that public school programs cost more than private programs to operate but have lower results measured in placements, revenues, and completions, that there are many private options available and so no need for a school run program, that there are specific aspects of aesthetician services that ought not be provided to or by minors.

Mr. Strachan noted that USOE's Career and Technical Education Director was unable to be here and would be given an opportunity to present at the next meeting.

7. Other Business/Adjourn

Mr. Strachan advised that the July 9 board meeting is cancelled but to plan on meetings June 11 and August 13.

Kim Jones acknowledged Brian Gough for his service and mentoring. Brian expressed thanks to the board for the opportunity to serve.

Motion: Rep. Anderson moved to adjourn. CARRIED

Next Scheduled Board meeting:

- Thursday, June 11, 2015 at 2 pm in Room 30 House Building